

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
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August 11, 2006

Ms. Cindy Foster, Controller
Bamberg County Hospital
Post Office Drawer 507
Bamberg, South Carolina 29003

Re: AC# 3-BMB-J1 – Bamberg County Memorial Nursing Center

Dear Ms. Foster:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate change shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

BAMBERG COUNTY MEMORIAL NURSING CENTER

BAMBERG, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-BMB-J1**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 17, 2006

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Bamberg County Memorial Nursing Center, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of Bamberg County Memorial Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.


The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Bamberg County Memorial Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Bamberg County Memorial Nursing Center dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 17, 2006

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

BAMBERG COUNTY MEMORIAL NURSING CENTER

Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-BMB-J1

	01/01/03- <u>09/30/03</u>
Adjusted Reimbursement Rate	\$121.36
Interim Reimbursement Rate (1)	<u>115.18</u>
Increase in Reimbursement Rate	\$ <u><u>6.18</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated March 1, 2006.

BAMBERG COUNTY MEMORIAL NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period January 1, 2003 Through September 30, 2003
AC# 3-BMB-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 60.37	\$63.44	
Dietary		14.10	11.63	
Laundry/Housekeeping/Maintenance		<u>10.70</u>	<u>10.22</u>	
Subtotal	\$ <u>.12</u>	85.17	85.29	\$ 85.17
Administration & Medical Records	\$ <u>1.53</u>	<u>11.10</u>	<u>12.63</u>	<u>11.10</u>
Subtotal		96.27	\$ <u>97.92</u>	96.27
<u>Costs Not Subject to Standards:</u>				
Utilities		3.52		3.52
Special Services		-		-
Medical Supplies & Oxygen		1.03		1.03
Taxes and Insurance		.64		.64
Legal Fees		<u>.49</u>		<u>.49</u>
TOTAL		<u>\$101.95</u>		101.95
Inflation Factor (3.70%)				3.77
Cost of Capital				15.84
Cost of Capital Limitation				(1.85)
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.53
Cost Incentive				.12
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$121.36</u>

BAMBERG COUNTY MEMORIAL NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-BMB-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,855,442	\$ 55,290 (1)	\$ -	\$1,910,732
Dietary	515,224	-	69,076 (1)	446,148
Laundry	29,862	-	3,451 (1)	26,411
Housekeeping	163,369	-	25,493 (1)	137,876
Maintenance	182,289	-	7,902 (1)	174,387
Administration & Medical Records	298,268	53,160 (1)	-	351,428
Utilities	104,977	6,392 (1)	-	111,369
Special Services	50	-	50 (1)	-
Medical Supplies & Oxygen	124,930	-	92,395 (1)	32,535
Taxes and Insurance	37,060	-	16,856 (1)	20,204
Legal Fees	-	15,623 (1)	-	15,623
Cost of Capital	259,731	181,020 (1)	-	501,314
	<u> </u>	<u>60,563</u> (2)	<u> </u>	<u> </u>
Subtotal	3,571,202	372,048	215,223	3,728,027

BAMBERG COUNTY MEMORIAL NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-BMB-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	180,953	-	88,513 (1)	92,440
Nonallowable	<u>(159,038)</u>	<u>250,292</u> (1)	<u>60,563</u> (2)	<u>30,691</u>
Total Operating Expenses	<u>\$3,593,117</u>	<u>\$622,340</u>	<u>\$364,299</u>	<u>\$3,851,158</u>
Total Patient Days	<u>31,649</u>	<u>-</u>	<u>-</u>	<u>31,649</u>
Total Beds	<u>88</u>			

BAMBERG COUNTY MEMORIAL NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-BMB-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	\$ 55,290	
	Administration & Medical Records	53,160	
	Utilities	6,392	
	Legal	15,623	
	Cost of Capital	181,020	
	Nonallowable	250,292	
	Dietary		\$ 69,076
	Laundry		3,451
	Housekeeping		25,493
	Maintenance		7,902
	Medical Supplies		92,395
	Taxes and Insurance		16,856
	Special Services		50
	Ancillary		88,513
	Other Equity		258,041
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	60,563	
	Nonallowable		60,563
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>622,340</u>	\$ <u>622,340</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

BAMBERG COUNTY MEMORIAL NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2001
AC# 3-BMB-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.4607</u>	<u>2.4607</u>	<u>2.4607</u>	
Deemed Asset Value (Per Bed)	38,431	38,431	38,431	
Number of Beds	<u>22</u>	<u>22</u>	<u>44</u>	
Deemed Asset Value	845,482	845,482	1,690,964	
Improvements Since 1981	237,255	26,291	-	
Accumulated Depreciation at 9/30/01	<u>(447,828)</u>	<u>(365,094)</u>	<u>(162,129)</u>	
Deemed Depreciated Value	634,909	506,679	1,528,835	
Market Rate of Return	<u>.0577</u>	<u>.0577</u>	<u>.0577</u>	
Total Annual Return	36,634	29,235	88,214	
Return Applicable to Non-Reimbursable Cost Centers	-	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	36,634	29,235	88,214	
Depreciation Expense	71,143	92,869	165,551	
Amortization Expense	52,644	-	-	
Capital Related Income Offsets	(8,744)	(8,744)	(17,488)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	151,677	113,360	236,277	\$501,314
Total Patient Days (Actual)	<u>7,912</u>	<u>7,912</u>	<u>15,825</u>	<u>31,649</u>
Cost of Capital Per Diem	\$ <u>19.17</u>	\$ <u>14.33</u>	\$ <u>14.93</u>	\$ <u>15.84</u>

BAMBERG COUNTY MEMORIAL NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2001
AC# 3-BMB-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>	<u>\$14.33</u>	<u>\$14.93</u>
Weighted Average Reimbursable Cost of Capital Per Diem*		\$13.99	
Cost of Capital Per Diem		<u>15.84</u>	
Cost of Capital Per Diem Limitation		<u>\$(1.85)</u>	

* ((7,912 x 11.78) + 113,360 + 236,277)/31,649

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